

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 PA-01 PRS-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 620

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TOFAS FOR STARKEY/SUGAR & TROPICAL PRODS/FCA

E.O. 11652: GDS

TAGS: EPAP, ETRD, RP

SUBJECT: PRESIDENT MARCOS' ADDRESS TO SUGAR CONVENTION

REF: MANILA 1829

1. PRESIDENTIAL EMPHASIS IN SPEECH TO 1975 SUGAR INDUSTRY CONVENTION, DESCRIBED REFTEL, ON MARKETING AND ON SMUGGLING, APPEARS TO PROVIDE REVEALING GLIMPSE AT PROBLEM PRESIDENT MARCOS NOW GRAPPLING WITH.

2. THE PRESENT TWO-PRICE SYSTEM FOR SUGAR HAS RESULTED IN APPARENT SHARP INCREASE IN SMUGGLING, ALTHOUGH THIS PROBLEM IS NOT NEW TO THE PHILIPPINES, THE INCUREMNT RECENTLY HAS BEEN MUCH GREATER. WHILE THE LEVEL IS PROBABLY NOT OF SIGNIFICANT PROPORTIONS, FACT IT IS HAPPENING AND HAS INCREASED IS PROBABLY VIEWED BOTH AS A SLAP IN THE FACE OF THE SYSTEM AND AS A LOSS OF REVENUE TO THE GOVERNMENT.

3. PRESIDENT IN REFERRING TO SUPPOSEDLY LOST U.S. MARKET WAS QUOTED AS SAYING THIS MARKET LOST BECAUSE U.S. HAS APPARENTLY NO INTENTION OF REVIVING SUGAR ACT WHICH ALLOCATED COUNTRY QUOTAS FOR SUGAR PRODUCERS. THUS, WITH NO GUARANTEED

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MARKET, EXCPET FOR REPORTED 500,000 TONS SOLD FOR DELIVERY

TOH

ORLD FIRST HALF 1975, AND PROJCTION IN PEAK OF SEASOON
MARCOS APPARENTLY REALIZES THAT THE PHILIPPINE MAY BE FAL-
LING BEHIND THE POWER CURVE IN MAKING ARRANGEMENTS FOR ITS
SUGAR AT FAVORABLE PRICES. FOR THE 1974-75 CROP YEAR,
REMAINING AVAILABLE EXPORT SUPPLIES TOTAL ABOUT 1 MIL. SHORT
TONS. AWARE OF JAPANESE-AUSTRALIAN CONTRACT (5 YEARS,
600,000 TONS PER YEAR AT 24 CENTS) AND RECENT EC AGREEMENT
WITH CARIBBEAN SUPPLIERS, MARCOS APPARENTLY DISTURGED THAT
THE PHILIPPINES HAS NOT BEEN ABLE TO CONCLUDE LONG TERM
CONTRACT. HE APPEARS PARTICULARLY UPSET BY APPARENT LACK
OF INTEREST OF U.S. BUYER IN LONG TERM CONTRACTS. HIS
ANNOUNCEMENT IN WELL-PUBLICIZED FORUM THAT PHILIPPINES READY
TO SELL LARGE QUANTITIES OF SUGAR ON LONG-TERM CONTRACT AT
24 CENTS PER POUND WOULD SUGGEST THAT NEED BEING FELT TO
PUBLICIZE FILIPINO INTEREST IN SUCH ARRANGEMENTS IN ORDER
TO AVOID SEFERE LOSS OF POSITION IN RAPIDLY CHANGING MARKET
SITUATION.

4. IN SHORT, ALTHOUGH MARXOS DESCRIBED IN PRESS REPORTS
AS HIGHLY OPTIMISTIC ABOUT FUTURE OF INDUSTRY, UNDERLYING
HIS REMARKS APPEARS TO BE A CONSIDERABLE DEGREE OF ANXIETY
THAT COUNTRY MAY HAVE OVERPLAYED ITS HAND IN HOLDING SUGAR
OFF THE MARKET AND COULD END UP SIGNIFICANTLY WEAKENING
MARKET BY ITS OWN ACTIONS.

5. PART OF THE PHILIPPINE PROBLEM, AND A PERSISTENT SOURCE
OF CONFUSION TO MALACANANG, ARE RUMORS OUT OF THE U.S.
THAT A NEW SUGAR QUOTA BILL IS LIKELY IN THE OFFING. IF
SUCH IS THE CASE, AND WE HAVE SUBSTANTIAL FUTURE INTEREST
IN PHILIPPINE SUPPLY, IT WOULD BE VERY HELPFUL TO LET THE
FILIPINOS IN ON OUR PLANS -- IF NEED BE ON A TOP LEVEL AND
CONFIDENTIAL BASIS. IF THERE ARE NO ADMINISTRATION PLANS
TO PROMOTE SUCH A BILL, WE WOULD APPRECIATE AN APPRAISAL OF
THE CHANGES THE CONGRESS MAY PASS ONE ON ITS OWN INITIATIVE,
SINCE TIT SEEMS FAIRLY WELL-KNOWN HERE THAT SEVERAL MEMBERS
OF CONGRESS ARE INCLINED TO FAVOR NEW LEGISLATION.

6. COMING BACK TO EARLIER POINTS WE HAVE MADE IN REFTEL,
IN LIGHT OF THE FOREGOING WE ARE STILL FAR SHORT OF
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GIVING THE FILIPINOS ANY CLEAR INDICATION OF WHAT WE WANT.
POSSIBLY OUR TRADE MAY FEEL THAT CONTINUED UNCERTAINTY SERVES
OUR INTERESTS IN THIS MATTER, BUT WE FORCEFULLY DOUBT THAT
PROPOSITION HERE.
SULLIVAN

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